

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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: **Chapter 11 Case No.**  
: **08-11153 (MG)**  
: **(Jointly Administered)**  
: **Debtors.**  
: **Debtor.**  
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**ORDER PURSUANT TO SECTIONS 105(a), 362(d), 363(b), AND 503(b) OF THE  
BANKRUPTCY CODE AND RULES 4001 AND 6004 OF THE FEDERAL RULES  
OF BANKRUPTCY PROCEDURE (I) (a) AUTHORIZING DEBTORS TO CONTINUE  
THEIR WORKERS' COMPENSATION PROGRAMS AND THEIR LIABILITY,  
PRODUCT, PROPERTY, AND OTHER INSURANCE PROGRAMS AND (b)  
AUTHORIZING DEBTORS TO PAY ALL OBLIGATIONS IN RESPECT THEREOF  
AND (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR  
AND PROCESS CHECKS AND TRANSFERS RELATED TO SUCH OBLIGATIONS**

Upon the motion, dated April 2, 2008 (the "Motion"),<sup>1</sup> of Lexington Precision Corporation and Lexington Rubber Group, Inc., as debtors and debtors in possession (together, the "Debtors"), pursuant to sections 105(a), 362(d), 363(b), and 503(b) of the title 11 of the United States Code (the "Bankruptcy Code") and Rules 4001 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an order (I) authorizing, but not directing, the Debtors to (a) continue their workers' compensation programs (the "Workers' Compensation Programs") and their liability, product, property, and other insurance programs, including, without limitation, all of the policies set forth on Exhibit A annexed hereto (together with the Workers' Compensation Programs, the "Insurance Programs") and (b) pay all obligations in respect thereof, on an uninterrupted basis, consistent with their practices in effect prior to the commencement of the Debtors' chapter 11 cases, including the payment of all premiums, claims, deductibles, administrative expenses, and all other charges incurred, whether

<sup>1</sup> Capitalized terms not defined herein shall have the meaning used in the Motion.

relating to the period prior to or after the commencement of these chapter 11 cases (collectively, “Insurance Obligations”), and (II) authorizing certain banks and financial institutions (the “Banks”), including, but not limited to, the Banks listed on Exhibit B, to honor and process checks and transfers related to such obligations, as more fully described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided and no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and upon the Affidavit of Dennis J. Welhouse Pursuant to Local Bankruptcy Rule 1007-2, sworn to on April 1, 2008 (the “Welhouse Affidavit”), the record of the Hearing, and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and creditors, and all parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted; and it is further

ORDERED that the Debtors are authorized and empowered to maintain their Insurance Programs without interruption, on the same basis, and in accordance with the same practices and procedures that were in effect prior to the commencement of the Debtors’ chapter 11 cases; and it is further

ORDERED that the Debtors are authorized, but not required, to pay, in their sole discretion, all Insurance Obligations, including, without limitation, all premiums, claims, deductibles, excess, retrospective adjustments, administrative and brokers' fees, and all other obligations arising under the Insurance Programs, including those Insurance Obligations that were due and payable or related to the period before the commencement of these chapter 11 cases, without further Order of the Court.; and it is further

ORDERED that, pursuant to section 362(d) of the Bankruptcy Code, to the extent any of the Debtors' employees hold claims under the Debtors' Workers' Compensation Programs, these employees are authorized, at the Debtors' discretion, to proceed with their workers' compensation claims through and including the collection of any judgment in the appropriate judicial or administrative forum under the Workers' Compensation Programs; provided, that the prosecution of such claims is in accordance with the Workers' Compensation Program and the recoveries are limited to the proceeds available under the applicable policy; and it is further

ORDERED that the Banks, including, but not limited to those on the list annexed hereto as Exhibit B, are authorized to honor, process, and pay, to the extent of funds on deposit, any and all prepetition checks or electronic fund transfer requests issued by the Debtors in respect of any Insurance Obligation, whether pre or postpetition; and it is further

ORDERED that any Bank, including, but not limited to those on the list annexed hereto as Exhibit B, may rely on the representations of the Debtors with respect to whether any check or other transfer drawn or issued by the Debtors prior to the Commencement Date should be honored pursuant to this Order, and such Bank shall not have any liability to any party for relying on such representations by the Debtors as provided for herein; and it is further

ORDERED that nothing in this Order or the Motion shall be construed as prejudicing the rights of the Debtors to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the Debtors' Insurance Programs; and it is further

ORDERED that, to the extent that any Insurance Program or any related contract or agreement is deemed an executory contract within the meaning of section 365 of the Bankruptcy Code, neither this Order nor any payments made in accordance with this Order shall constitute the postpetition assumption of any such Insurance Program, contract, or related agreement pursuant to section 365 of the Bankruptcy Code; and it is further

ORDERED that notwithstanding any applicability of Rules 6004(h),<sup>2</sup> 7062, or 9014 of the Bankruptcy Rules, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further

ORDERED that the requirement set forth in Local Bankruptcy Rule 9013-1(b) for the filing of a separate memorandum of law in support of the Motion is satisfied.

Dated: April \_\_, 2008  
New York, New York

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United States Bankruptcy Judge

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<sup>2</sup> Bankruptcy Rule 6004(h) is an interim bankruptcy rule adopted pursuant to standing General Order M-308 of the United States Bankruptcy Court for the Southern District of New York, signed on October 11, 2005 by Chief Judge Stuart M. Bernstein.

**EXHIBIT A**

INSURER POLICY	COVERAGE/ TYPE	INSURED	LIMITS	DEDUCTIBLE	TERM	EXPIRATION	BROKER	PREMIUM
American International Group WC 3425470 and 3425471	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Fully-insured plan	52 weeks starting July 1, 2007	June 30, 2008	Leonard Insurance Services Agency, Inc.	\$815,790
The Travelers Indemnity Company of America No. TC2HUB-133D983-5-04 (St. Paul Travelers Insurance company) (The Travelers Indemnity Company)	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Self-insured plan	52 weeks starting July 1, 2004	June 30, 2005	Leonard Insurance Services Agency, Inc.	\$513,621
St. Paul Fire and Marine Insurance Company (St. Paul Travelers Insurance Company) (The Travelers Indemnity Company)	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Self-insured plan	52 weeks starting July 1, 2003	June 30, 2004	Leonard Insurance Services Agency, Inc.	\$593,080
Lumbermens Mutual Casualty Company (Kenper)	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Self-insured plan	Seven policy years starting July 1, 1996	June 30, 2003	Leonard Insurance Services Agency, Inc.	Different for each policy year
Zurich Insurance Company	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Self-insured plan	Eleven policy years starting July 1, 1995	June 30, 2006	Acordia of Western Pennsylvania	\$431,314
The Home Insurance Company in Liquidation	Workers' Compensation	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Self-insured plan	June 1, 1991 through June 30, 1995	June 30, 1995	Accordia of Western Pennsylvania	Various
CHUBB 3581-73-98-CLE Occurrence	Employer's Liability Stop Gap (Monopolistic States)	Lexington Precision Corporation and Lexington Rubber Group, Inc.	\$1,000,000 aggregate and each accident	\$0.0 SIR	52 weeks starting July 1, 2007	June 30, 2008	Leonard Insurance Services Agency, Inc.	Included in general liability premium
CHUBB 3581-73-98 CLE Occurrence	General Liability, Products & Advertisers, Specified Third Parties and Employers'	Lexington Precision Corporation and Lexington Rubber Group, Inc.	\$1 million per occurrence, \$2 million general aggregate and products aggregate. (coverage policy period)	\$0.0 Deductible Primary	52 weeks starting July 1, 2007	June 30, 2008	Leonard Insurance Services Agency, Inc.	\$87,068
State of Ohio Occurrence	Workers' Compensation retrospectively rated plan (Monopolistic States)	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	\$200,000 per claim \$460,000 aggregate (approx.)	52 weeks	June 30, 2008	N/A	\$255,000
State of Ohio Occurrence	Workers' Compensation retrospectively rated plan (Monopolistic States)	Lexington Precision Corporation and Lexington Rubber Group, Inc.	Statutory	Various	52 Weeks starting July 1, 2007	From July 1, 2007 to June 30, 2008	N/A	Various

TOTAL CURRENT INSURANCE/ANNUAL PREMIUM (excludes deductibles, retentions, payments for prior years' workers' compensation claims under retrospective policies issued in prior years. etc.)	\$1,582,422
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**EXHIBIT B**

**DISBURSEMENT ACCOUNTS**

FirstMerit Bank N.A.	5999000546
295 FirstMerit Circle	5999000554
Akron, OH 44307	5999000562
Attn: Thomas Heidy	5999000570
	5999000588
	5999000596
	5999000619
	5999000627
	5999000855

**MASTER OPERATING (DISBURSEMENT) ACCOUNT**

Bank Name and Address	Account Number
FirstMerit Bank N.A. 295 FirstMerit Circle, Akron, Ohio 44307 Attn: Thomas Heidy	5923007871